



SPECIAL TAXATION
 EXEMPT NO. 2
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Annual Report of the Downtown Billings Partnership, Inc. July 1, 2005 - June 30, 2006

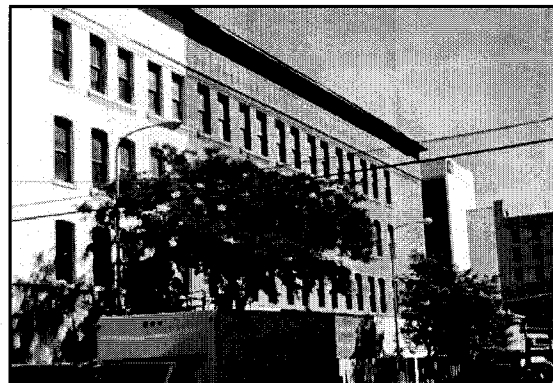
Inside
 This Issue

PAGE TWO
*Downtown
 Taxable Value
 Grows by
 Almost
 \$1.5 Million in
 FY2006*

PAGE THREE
*A Day In The
 Life of a
 Purple Person*

Downtown Tax Base Continues to GROW!

In March of 2008, the current Tax Increment Financing District (TIFD) will sunset. Since 1976, the City of Billings has used the TIFD tool to help our city grow. But during the 1980's and early 1990's, following the early success of the TIFD, the tool was allowed to rust and dull. In fact, according to the Montana Department of Revenue, late in the 1990's, the citizens of Billings had reason to be concerned... the Taxable Value of the 1976 TIFD was declining to a point actually LOWER than the base taxable value! In short, we all let the TIFD tool sit dormant for far too long.



The white paint being removed from the Stapleton Building at 1st North and N. Broadway - a Gap Funding multi-use project.

Like any growth investment, Tax Increment Financing becomes risky when it's not managed. The Urban Renewal Law recognizes this and requires annual review of the Urban Renewal Plan. Thus, in 1998, the Billings City Council adopted **the Framework** as an "update" of the 1976 Urban Renewal Plan; and they contracted with a newly created private non-profit organization to manage the plan. They enabled the Downtown Billings Partnership and the Downtown Development Corporation to bring new life to an old TIFD. **It worked!**

Since 1998 the Downtown Billings Partnership, working in harmony with The City of Billings, has taken the Framework from vision to implementation. By wise use of the Urban Renewal Law and dedication from a large group of engaged citizens, Downtown Billings has taken the 1976 TIFD back into the "black." In fact, by investing about \$8 Million TIFD dollars into over 200 big and small public/private projects totaling close to \$50 Million, in private funds, Downtown Billings 1976 TIFD is now valued at more than DOUBLE the base taxable value. And this recent private investment is only a small portion of the overall private investment since 1976. The construction of the Wells Fargo Building, the Sheraton, the First Interstate Center, and many other private development projects have substantially added to that overall investment number to the tune of hundreds of millions of dollars.

During the Partnership years, this reinvestment of increment, especially regarding four Large Project Gap funding projects, brought more than 500 professional employees to downtown Billings, over 131 new residential units with people living downtown, over 50 new retail/entertainment/restaurant businesses, and the downtown campus of MSU-Billings. Those numbers increase dramatically when the early (1976) projects are factored in. According to MSU-Billings, for every professional employee we attract downtown, 1.5 new service industry jobs are created. The CTA Corporate Offices account for over 300 client/customer "overnights" a year and can be tracked as one of the reasons The Hotel Group recently purchased the aging Sheraton Billings (one of the 1st TIFD projects) and will be upgrading the facility and changing the hotel flag to Crowne Plaza.

It must be remembered that without the full capacity of this Urban Renewal tool, many, if not all, of these new tax dollars would not exist. More importantly, the TIFD stopped the DECLINE and allowed the base to remain solvent and stable and supportive of overall growth.

Downtown Billings is THE PLACE to Live, Work, Shop, Dine and Play

www.downtownbillings.com

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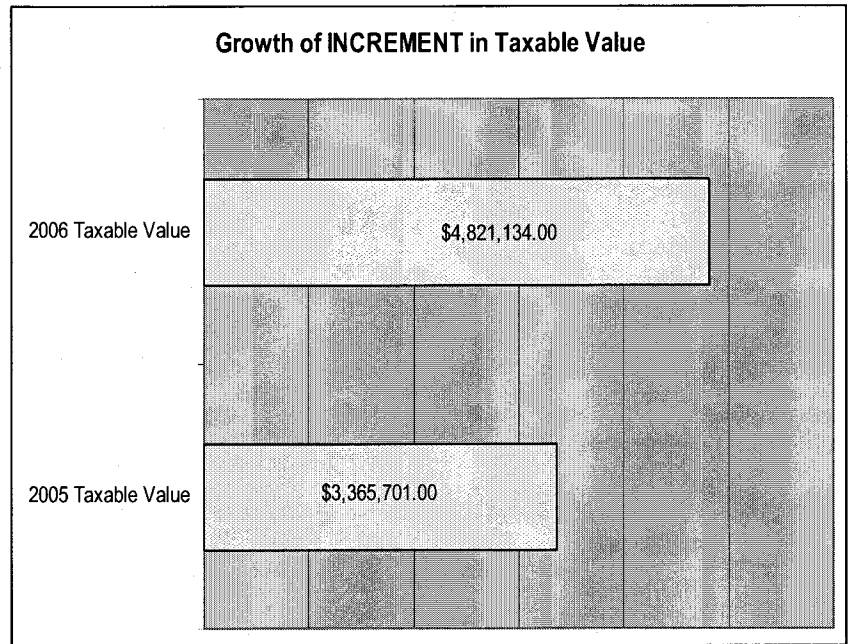
Downtown Billings Association
 Lisa Woods, Executive Director

Business Improvement District
 Lisa Harmon, Executive Director

Downtown Development
 Greg A. Krueger, Executive Director

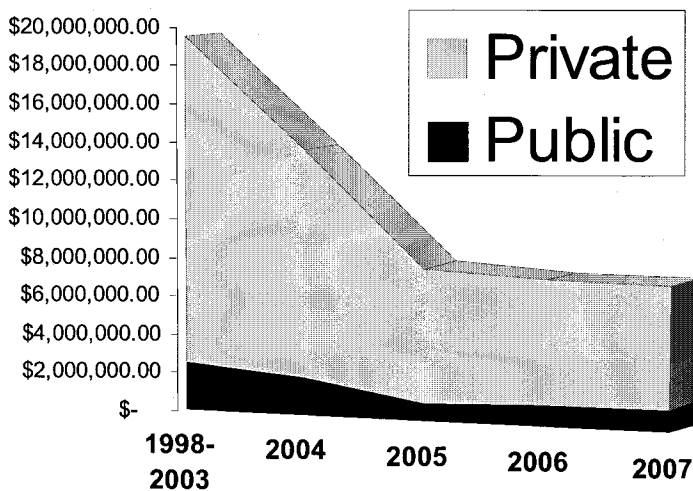
INCREMENT GROWS BY ALMOST \$1.5 MILLION DURING FY2006!

According to the Montana Department of Revenue, the taxable value of the increment (the growth) of the Downtown Tax Increment Financing District was \$3,365,701 in 2005. In 2006 that number jumped to \$4,821,134! When added to the base value (the amount of value set for the District when it was created) of \$4,753,583, one can easily see the value of Tax Increment Financing Districts. It should be remembered that most importantly, the base tax that continued to flow into the general funds of the taxing entities was stabilized. It had been declining. Thus, our governing bodies were able to count on that stabilization, as they waited and watched the reinvestment of growth dollars create a more valuable city center.



This growth didn't just happen and it weathered all sorts of "market trends" over the 30 year time span. It should be noted that the Urban Renewal Law may establish an initial time frame of 15 years for a TIFD but it wisely gives the local governing body the ability to extend that time frame to accommodate the payoff of any tax increment bonds that were issued, up to an additional 25 years. Billings wisely sold bonds at several stages, leveraging success after success until we completed and built four new public parking structures in the heart of our city. The fact that it took us 30 years to make all this happen should not be a surprise since the law allows for up to 45.

Reinvestment 1998 to 2007



In addition to the public construction of 4 parking structures, the investment in alley improvements, the re-furbishing of the Lincoln Middle School, and the various major beautification projects such as S. 27th Street median, and the North Broadway Streetscape, TIFD funds continue to be used for projects that directly stimulate private investment. In FY2004 we facilitated 66 projects ranging in value from \$928.00 to \$5,778,780. In FY2005 the project count was 60 and included façade improvements, housing development, large project gap funding, parking, retail rehabilitation and technical assistance totaling \$6.00 in private investment for every \$1 in public assistance.

Downtown is Online at www.downtownbillings.com

A Day in The Life of a Purple Person

A day in the life of a Purple Person is quite a journey! If you don't like change and adventure then being a BID Ambassador is probably not your cup of tea. Let me share with you the scope and range of things that find their way into our "ordinary" days:

~5am, Ziggy's on the Green Machine

~5am, Jon is watering 90 hanging flower baskets, checks out additional 80 that are irrigated by drip system. Jon notices that some of the drip systems are not functioning properly. Sherri calls the City to check into the irrigation system.

~7am, Sherri is checking out the streets after another successful Alive After 5. She decides that the sidewalks need some pressure washing.

~10am, Lisa does a bird rescue on 1st Avenue North, bird is sent to Moore Lane Vet and onto the Animal Shelter. Lisa subsequently adopts bird.

~10am, Purple People put cones for Lewis and Clark event AND Farmers Market.

~ 10am-2pm, Purple People check trashes, weed, perform general cleaning in area.

~2pm, Purple People help Lewis and Clark organizers with their street closures.

~3 pm, A call to our office sends a purple person to check on damaged ash receptacles.

~3:30pm, Sherri, Lisa and Ryan go help a homeless man off the sidewalk who looks severely dehydrated, give him water and get him seated. Sherri calls non-emergency and we get him checked out and onto to hopefully the new Crisis Center where they can assess him. We hand out our resource card to others in an effort to connect individuals in need of resources.

~4:30pm, A call to the office sends us to a business that is having a sale the next day and wants a little extra attention to their sidewalk and planters. Two Purple People are dispatched there.

~6pm-11pm, Purple People are on litter control and clean up for the Lewis and Clark Downtown Event.

~12am....Whew! I love my job, but I am going home!

The BID is always looking for enthusiastic, hardworking individuals to round out our Fall crew. If you or someone you know is interested in one fantastic journey, please call Sherri at our BID Office @294-5060.

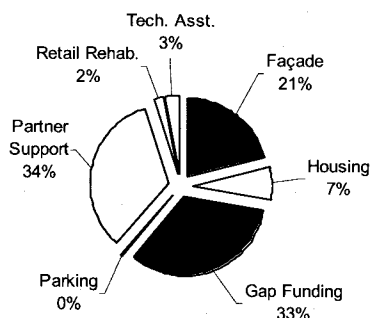
Lisa Harmon, Business Improvement District

DBP, Inc., Annual Report - Fiscal Year 2006

The fruits of 8 years of Partnership management of the Downtown Billings Tax Increment District are paying immediate dividends with long range economic impact. As we move into yet another Legislative cycle, there is considerable fear that our elected officials will forget how Billings achieved such tremendous re-growth and focus on that growth as "costing" the State though total local management of the Urban Renewal funds. As we begin to look at two new Tax Increment Districts to eliminate remaining stagnation and blight in our downtown, it is important to remember that it cannot be done if Montana's Urban Renewal Law is "damaged" or impaired in any way.

FY2006 Summary	Façade	Housing	Gap Funding	Parking	Partner Support	Retail Rehab.	Tech. Asst.	Totals
Number of Projects	27	2	5	2	7	6	13	62
TIFD Invested	\$310,723	\$100,080	\$502,834	\$5,000	\$505,161	\$30,000	\$44,620	\$1,498,418
Private Investment	\$553,307	\$342,495	\$3,632,852	\$288,452	\$30,000	\$560,538	\$0	\$5,407,644
Total Investment	\$864,030	\$442,575	\$4,135,686	\$293,452	\$535,161	\$590,538	\$44,620	\$6,906,062

TIFD EXPENDITURES FY2006

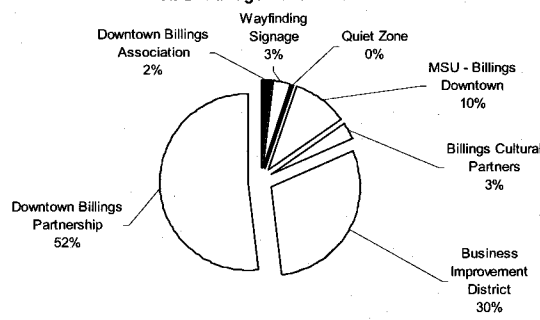


FY 2006 by the Numbers

27 Façade Projects
 2 Housing Projects
 5 Gap Funding Large Projects
 2 Parking Projects
 7 Operations Budgets
 6 Retail Rehabilitation Projects
 13 Technical Assistance Projects

62 Total Projects/Operations
 Funded with \$1.5 TIFD matched by
 \$5.4 Million in PRIVATE investment.

TIFD Management FY2006



DBP BOARD OF DIRECTORS FY06

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Vice President: Mayor Ron Tussing
Treasurer: Joe McClure
Secretary: Kim Olsen

Immediate Past President: Ann Miller

Brenda Burkhartsmeier
William Honaker
Jon Saunders
Al Rapacz
Bill Fisher
Commissioner Jim Reno
Chuck Barthuly
Kay Foster

ALTERNATES:

Tina Volek
Lisa Woods
Bernie Nelson
Commissioner John Ostlund
Don Olsen
Steve Wahrlich
Ken Nicholson

DOWNTOWN STAFF:

Greg A. Krueger, Executive Director, DBP, Inc.
Lisa Woods, Executive Director, DBA, Inc.
Lisa Harmon, Director, Billings B.I.D.
Gladys Phelps, Executive Assistant

WARD ONE, BILLINGS CITY COUNCIL:

Peggie Gaghen
Jim Ronquillo



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